

**Introduced by Senator Florez**

**(Principal coauthor: Senator Denham)**

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An act to amend Section 17133 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 995, as introduced, Florez. Tax-exempt bonds for tribal nations.

The Personal Income Tax Law imposes a tax on individual taxpayers measured by the amount of the taxpayer's taxable income for the taxable year, but excludes certain items of income from the computation of tax. That law, in conformity with federal income tax laws, exempts from tax interest on bonds issued by this state or a local government in this state.

This bill would, in conformity with federal income tax laws, additionally exempt from taxation interest on bonds issued by a federally recognized Indian tribal government located in this state, but only if specified requirements are met.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

SECTION 1. Section 17133 of the Revenue and Taxation Code is amended to read:

17133. (a) Income which this state is prohibited from taxing includes interest on bonds issued by this state or a local government in this state, ~~and the determination of whether a bond is issued by this state or a local government in this state shall be made without regard to (a) the source of payment of that bond or the security for that bond, public or private, and (b) whether or not public improvements are financed.~~ In addition, interest on bonds issued by a federally recognized Indian tribal government located in this state shall be exempt from personal income taxes to the extent that the interest, at the time the bonds are issued, is excluded from federal gross income under Section 103 of the Internal Revenue Code, but only if all of the following requirements are met:

(1) The tribe adopts an environmental ordinance providing for the preparation, circulation, and consideration by the tribe of environmental impact reports concerning potential off-reservation environmental impacts of any project to be commenced. The ordinance may include any ordinance adopted prior to the effective date of the act adding this section. In fashioning the environmental protection ordinance, the tribe shall make a good faith effort to incorporate the policies and purposes of the National Environmental Policy Act and the California Environmental Quality Act, as set forth in Division 13 (commencing with Section 21000) of the Public Resources Code, consistent with the tribe's governmental interests. For purposes of this section "project" means an expansion or any significant renovation or modification of an existing tribal facility, or any significant excavation, construction, or development associated with a tribal project or proposed project, and the term "environmental impact reports" means any environmental assessment, environmental impact report, or environmental impact statement, as the case may be.

(2) Pursuant to the environmental ordinance, the tribe shall do all of the following prior to commencement of a project:

(A) Inform the public of the planned project.

1     (B) Take appropriate actions to determine whether the project  
2 will have any significant adverse impacts on the off-reservation  
3 environment.

4     (C) For the purpose of receiving and responding to comments,  
5 submit all environmental impact reports concerning the proposed  
6 project to the State Clearinghouse in the Office of Planning and  
7 Research and the board of supervisors in the county in which the  
8 project is located, for distribution to the public.

9     (D) Consult with the board of supervisors of the county or  
10 counties within which the tribe's project is located, or is to be  
11 located, and, if the project is within a city, with the city council,  
12 and if requested by the county board or council, as the case may  
13 be, meet with them to discuss mitigation of significant adverse  
14 off-reservation environmental impacts.

15     (E) Meet with and provide an opportunity for comment by  
16 those members of the public residing off-reservation within the  
17 vicinity of the project such as might be adversely affected.

18     (3) During the planning of a project, the tribe shall do both of  
19 the following:

20     (A) Keep the county board or council, as the case may be, and  
21 potentially affected members of the public apprised of the  
22 projects progress.

23     (B) Make good faith efforts to mitigate any and all such  
24 significant adverse off-reservation environmental impacts.

25     (4) The proceeds from the bonds may be used to pay for any  
26 onsite mitigation costs, and mitigation costs for off-reservation  
27 environmental impacts to the extent required by the tribe's class  
28 III gaming compact with this state, associated with projects  
29 funded from the proceeds from the bonds.

30     (5) Except as provided in paragraph (4), the proceeds from  
31 the bonds shall be used only for projects on a tribe's reservation.

32     (b) The determination of whether a bond is issued by this state,  
33 a local government in this state, or a federally recognized Indian  
34 tribal government in this state shall be made without regard to  
35 (1) the source of payment of that bond or the security for that  
36 bond, public or private, and (2) whether or not public  
37 improvements are financed.

38     (c) If there is at any time following the original issuance of  
39 ~~such~~ that a bond a separation in ownership between the bond and  
40 any right to receive interest on the bond (whether or not

1 evidenced by a coupon), payments or accruals on that stripped  
2 bond and stripped coupon shall be treated in a manner consistent  
3 with Section 1286(d) of the Internal Revenue Code.

4 SEC. 2. This act provides for a tax levy within the meaning of  
5 Article IV of the Constitution and shall go into immediate effect.

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